

**Child,
Van Wagoner &
Bradshaw, PLLC**

Roosevelt City Housing Authority

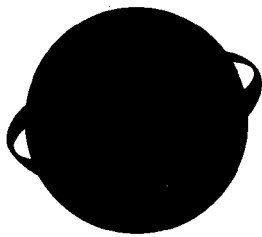
**Independent Auditors' Reports, Management's
Discussion and Analysis, and Supplemental Information**

March 31, 2006

Roosevelt City Housing Authority

Table of Contents

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Statement of Net Assets	9
Statement of Activities and Changes in Net Assets	10
Statement of Cash Flows	11
Notes to Financial Statements	12-17
Supplementary Schedules	
Financial Data Schedule I – Statement of Net Assets	19-20
Financial Data Schedule II – Statement of Activities, and Changes in Net Assets	21-23
Notes to Financial Data Schedules	24
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25-26
Schedule of Findings and Questioned Costs	27
Schedule of Findings and Questioned Costs - Prior Year	28
Independent Auditor's Report on State of Utah Legal Compliance	29
Auditee's reponse	30-31



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Independent Auditors' Report on Financial Statements and Supplementary Schedules

To the Board of Commissioners
Roosevelt City Housing Authority
Roosevelt, Utah

We have audited the accompanying financial statements of the business-type activity of the Roosevelt City Housing Authority (the Authority), as of and for the year ended March 31, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and major fund of the Authority as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Board of Commissioners
Roosevelt City Housing Authority

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedules I and II on pages 19 through 24 are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Child, Van Wagoner & Bradshaw

Child, Van Wagoner & Bradshaw, PLLC
Kaysville, Utah
September 22, 2006

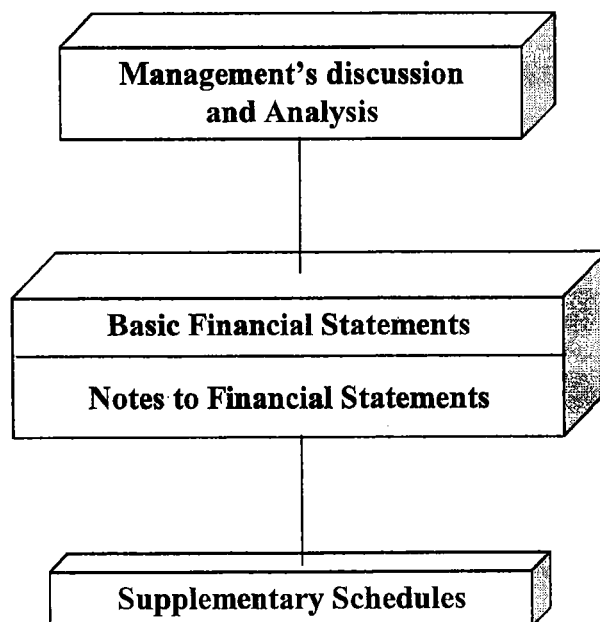
**Roosevelt City Housing Authority
Management's Discussion and Analysis
Year Ended March 31, 2006**

INTRODUCTION

The Roosevelt City Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the Roosevelt area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD and pass through awards through other state and local government agencies. The Authority is governed by a five-member board of commissioners, which is appointed by the city mayor of Roosevelt City. The Board, in turn, elects a Chairperson and employs an Executive Director to administer the affairs of the Authority.

The Authority presents this discussion and analysis of its financial performance during the fiscal year (FY) ended March 31, 2006, to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999.

The Authority's FY2006 annual financial report consists of two parts – the management's discussion and analysis, and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information that was sent to HUD related to our basic financial statements.



**Roosevelt City Housing Authority
Management's Discussion and Analysis (continued)
Year Ended March 31, 2006**

The basic financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Assets, the Statement of Activities and Changes in Net Assets and the Statement of Cash Flows. The basic financial statements also include "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the basic financial statements.

The primary focus of the Authority's financial statements is on a single business-type activity that combines all programs administered by the Authority. This discussion and analysis is focused on the primary activities of the Authority.

FINANCIAL HIGHLIGHTS

Under GASB Statement No. 34, the Authority's single business-type activity financial statements for FY2006 report on all of the Authority's assets, liabilities, Statement of Activities, and net assets under the programs it administers. A summary of the current-year results in comparison with the prior year results follows:

- Net assets of the Authority increased \$8,073 as of March 31, 2006, from the prior year.
- Operating revenues of the Authority decreased by \$27,272 from prior year results.
- Current liabilities increased by \$7,614 over the prior year.
- Non-current liabilities increased by \$56,753 over the prior year.
- The increase in cash and cash equivalents for the year was \$9,726.

AUTHORITY FINANCIAL STATEMENTS

The Authority is presenting its FY2006 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements – the Statement of Net Assets; the Statement of Activities and Changes in Net Assets; and the Statement of Cash Flows. The Statement of Net Assets reports all financial and capital assets of the Authority and is presented in a format where assets equal liabilities plus net assets. Net assets are broken down into the following three categories:

- *Net assets, invested in capital assets, net of related debt* consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Roosevelt City Housing Authority
Management's Discussion and Analysis (continued)
Year Ended March 31, 2006

- *Restricted net assets* consists of assets that are restricted by constraints placed on the asset by external parties, such as creditors, grantors, contributors, laws, or regulations reduced by liabilities payable from such assets.
- *Unrestricted net assets* consists of net assets that do not meet the definition of *net assets invested in capital assets, net of related debt or restricted net assets*.

The Statement of Activities and changes in net assets (similar to an income statement) includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and nonoperating revenues and expenses, such as investment income and interest expense. The statement's focus is the change in net assets, which is similar to net income or loss.

Finally, a statement of cash flows is included, which discloses net cash provided by or used for operating activities, capital and related financing activities, and investing activities.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Authority's net assets and changes in net assets in full compliance with GASB Statement No. 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period they are incurred.

The entity-wide presentation represents one different program and activity. This program is financed by federal grants from HUD, rents, and other user charges resulting from operations of subsidized housing, by management fees, and by investment income and loan proceeds. In FY2006, the following program make up the Authority's single business-type activities financial statements:

- *Section 8 Housing Choice Vouchers* – This program is funded by HUD and is a subsidy program for low- and moderate-income families seeking housing in the private rental market.

Roosevelt City Housing Authority
Management's Discussion and Analysis (continued)
Year Ended March 31, 2006

Net Assets

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

Roosevelt City Housing Authority
Statement of Net Assets

	2006	2005	Total Percentage Change
Current assets	\$ 100,202	\$ 90,588	10.6%
Restricted deposits	2,199	1,973	11.5%
Fixed assets, net of depreciation	83,393	20,793	301.1%
Total assets	<u>185,794</u>	<u>113,354</u>	63.9%
Current liabilities	8,683	1,069	712.3%
Non-current liabilities	58,726	1,973	2,876.5%
Total liabilities	<u>67,409</u>	<u>3,042</u>	2,115.9%
Net assets:			
Invested in capital assets	26,379	20,793	26.9%
Unrestricted net assets	92,006	89,519	2.8%
Total net assets	<u>\$ 118,385</u>	<u>\$ 110,312</u>	7.3%

The Authority's total assets at March 31, 2006 were \$185,794, an increase of \$72,440 (63.9%), from March 31, 2005.

Fixed Assets

Total fixed assets increased by \$62,600 (301.1%), in FY2006. The increase is due to the Authority building houses on the land the City of Roosevelt donated to the Authority in FY2005. The houses will be used as rental properties for low-income families.

Current Liabilities

Total current liabilities increased by \$7,614 (712.3%), in FY2006. The increase is due to the Authority not fully utilizing all of its HAP requests money in the current year.

Non-Current Liabilities

Total non-current liabilities increased by \$56,753 (2,876.5%), in FY2006. The increase is due to the Authority receiving a loan from the State of Utah for the building of the houses; see Fixed Assets above.

Roosevelt City Housing Authority
Management's Discussion and Analysis (continued)
Year Ended March 31, 2006

Net Assets

The Authority's net assets increased by \$8,073 (7.3%), during FY2006. At March 31, 2006, investments in capital assets comprise about 44.9% of the Authority's total assets, while these assets are collateralized by related current and long-term debt of approximately \$57,014 that is about 84.6% of the total liabilities. The amount invested in capital assets, net of related debt, amounts to about 22.3% of total net assets.

The Authority's net assets also consist of restricted and unrestricted net assets. Unrestricted net assets would include cash in the bank, receivables, and other assets less all other liabilities not previously applied. At March 31, 2006, unrestricted net assets amounts to about 77.7% of total net assets.

Statement of Activities and Changes in Net Assets

The results of operations for the Authority are presented below:

Roosevelt City Housing Authority
Statement of Activities and Changes in Net Assets

	2006	2005	Increase/(Decrease)	
			Amount	Percentage
Operating revenues:				
HUD PHA operating grants	\$ 294,938	\$ 314,889	\$ (19,951)	(6.3%)
Other operating revenue	12,022	19,343	(7,321)	(37.9%)
Total operating revenues	<u>306,960</u>	<u>334,232</u>	<u>(27,272)</u>	
Operating expenses:				
Administration	9,047	16,716	(7,669)	(45.9%)
Operating and maintenance	43,997	42,096	1,901	4.5%
Insurance	8,336	4,972	3,364	67.7%
Housing assistance payments	238,140	255,375	(17,235)	(6.8%)
General	2,136	2,800	(664)	(23.7%)
Total operating expenses	<u>301,656</u>	<u>321,959</u>	<u>(20,303)</u>	
Net Operating income/(loss)	<u>5,304</u>	<u>12,273</u>	<u>(6,969)</u>	
Nonoperating revenues/(expenses):				
Interest income	2,770	1,941	829	42.7%
Nonoperating expenses, net	<u>2,770</u>	<u>1,941</u>	<u>829</u>	
Change in net assets	<u>\$ 8,074</u>	<u>\$ 14,214</u>	<u>\$ (6,140)</u>	

**Roosevelt City Housing Authority
Management's Discussion and Analysis (continued)
Year Ended March 31, 2006**

Operating revenues of the Authority's activities are generated principally from HUD PHA operating grants. In FY2006, the Authority's revenues for its activities totaled \$306,960. Of this total, \$294,938 (96.1%) is from HUD PHA operating grants. Operating expenses of the Authority's activities consist primarily of housing assistance payments. Operating expenses total \$301,656, of which \$238,140 (78.9%) was for housing assistance payments.

About 0.9% of the Authority's total revenues in FY2006 were nonoperating revenues that are derived from interest income. The remaining 99.1% were operating revenues derived from HUD PHA operating revenues (95.2%) and other operating revenues (3.9%).

The operating expenses are derived from administration (3.0%), operating and maintenance (14.6%), insurance (2.8%), housing assistance payments (78.9%), and general (0.7%).

CAPITAL ASSETS

The Authority's capital assets as of March 31, 2006, included land, buildings, and furniture and equipment that totaled \$83,393, most of which comprises land and construction in progress that will provide homes for low to moderate income families to rent. Capital assets, net of depreciation, increased \$62,600 from the preceding year.

	2006	2005	Change
Land	\$ 20,793	\$ 16,293	\$ 4,500
Furniture and equipment	299	299	-
Construction in progress	62,600	4,500	58,100
Total net assets	83,692	21,092	62,600
Accumulated depreciation	(299)	(299)	-
Total	<u>\$ 83,393</u>	<u>\$ 20,793</u>	<u>\$ 62,600</u>

CONTACTING AUTHORITY MANAGEMENT

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. Questions concerning this report or requests for additional financial information should be directed to the Executive Director, Roosevelt City Housing Authority, 192 South 100 East, Roosevelt, UT 84066.

Roosevelt City Housing Authority
Statement of Net Assets
March 31, 2006

ASSETS

Current Assets:	
Cash-unrestricted (Note 2)	\$ 12,687
Investments-PTIF (Note 2)	79,068
Accounts receivable-HUD	7,867
Accounts receivable	580
Total current assets	<u>100,202</u>
Restricted Deposits:	
FSS escrow (Note 2)	2,199
Fixed Assets:	
Land	20,793
Furniture and equipment	299
Construction in progress	62,600
Total fixed assets	<u>83,692</u>
Less: Accumulated depreciation	(299)
Net fixed assets	<u>83,393</u>
Total assets	<u><u>\$ 185,794</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 1,069
Accounts payable - HUD	7,127
Note payable, current portion (Note 7)	487
Total current liabilities	<u>8,683</u>
Non-current liabilities:	
Note payable, less current portion (Note 7)	56,527
FSS escrow liability	2,199
Total non-current liabilities	<u>58,726</u>
Total liabilities	67,409
Net Assets:	
Invested in capital, net of related debt	26,379
Unrestricted net assets	92,006
Total net assets	<u>118,385</u>
Total liabilities and net assets	<u><u>\$ 185,794</u></u>

See accompanying notes to basic financial statements.

**Roosevelt City Housing Authority
Statement of Activities
and Changes in Net Assets
Year Ended March 31, 2006**

REVENUES

HUD grants	\$ 294,938
Management fees	12,000
Other revenue	22
Total revenues	<u>306,960</u>

EXPENSES

Operating expenses	43,997
Insurance expenses	8,336
Other operating-administrative	9,047
General expenses	2,136
Housing assistance payments	238,140
Total expenses	<u>301,656</u>

Net operating income	<u>5,304</u>
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Non-operating income	
Interest income	<u>2,770</u>
Total non-operating income	<u>2,770</u>

Change in net assets	8,074
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Net assets at beginning of year	110,311
Net assets at end of year	<u><u>\$ 118,385</u></u>

See accompanying notes to basic financial statements.

Roosevelt City Housing Authority
Statement of Cash Flows
Year Ended March 31, 2006

Cash flows from operating activities	
HUD PHA operating grants	\$ 294,938
Other operating revenues	12,133
Interest	2,770
Total receipts	<u>309,841</u>
Operating	43,997
Insurance	8,336
Other operating-administrative	9,047
General	2,136
Housing assistance payments	231,013
Total disbursements	<u>294,529</u>
Net cash provided by operating activities	<u>15,312</u>
Cash flows from investing activities	<u>-</u>
Cash flows from noncapital financing activities	<u>-</u>
Cash flows from capital and related financing activities	
Purchase of fixed assets	(62,600)
Proceeds from notes payable	57,014
Net cash used by financing activities	<u>(5,586)</u>
Net increase in cash and cash equivalents	9,726
Cash and cash equivalents at beginning of year	82,029
Cash and cash equivalents at end of year	<u><u>\$ 91,755</u></u>
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	8,074
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Accounts receivable	111
FSS escrow	(226)
Accounts payable-HUD	7,127
FSS escrow	226
Net cash provided by operating activities	<u><u>\$ 15,312</u></u>

See accompanying notes to basic financial statements.

Roosevelt City Housing Authority
Notes to Financial Statements
Year Ended March 31, 2006

1. Summary of Significant Accounting Policies

Organization and History

The Roosevelt City Housing Authority (the Authority) was established by Roosevelt City and is certified by the U.S. Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs under the Housing Act of 1937, as amended. The Section 8 Vouchers program is subsidized by the Federal Government through HUD.

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units,"* which describes those entities that are considered component units for financial reporting purposes. The Authority is not considered a component unit of Roosevelt City (the City), or any other government entity under the criteria of GASB Statement No. 14, as amended by GASB Statement No. 39, since the City exercises no oversight responsibility either financially or administratively over the Authority.

Basis of Presentation

In order to insure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained in accordance with the principles of fund accounting. The Authority participates in HUD programs on an enterprise fund basis. All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes and neither fiduciary funds nor component units that are fiduciary in nature are included. The financial statement presentation provides an indication of the financial performance of the Authority as a whole. In addition, the Authority adopts the budget that has been approved by its Board.

In accordance with HUD prescribed accounting practices, the Authority has adopted GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting."* The Authority has elected to apply all applicable FASB pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989. The Authority also elects to apply all FASB pronouncements after November 30, 1989 as long as they do not conflict with or contradict GASB pronouncements.

In June 1999, the GASB issued Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments."* This statement, known as the "Reporting Model" statement, affects the way the Authority prepares and presents financial information. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments and had no impact on beginning net assets. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Roosevelt City Housing Authority
Notes to Financial Statements (continued)
Year Ended March 31, 2006

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (continued)

Management's Discussion and Analysis (new in the current year) – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports and is included as required supplementary information.

Statement of Net Assets – The Statement of Net Assets is designed to display the financial position of the primary government (business-type activities). There are no discretely presented component units. Governments report all capital assets in the government-wide Statement of Net Assets and report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities and Changes in Net Assets. There is no infrastructure. The net assets of the Authority will be broken down into three categories – 1) invested in capital assets, net of related debt, 2) restricted net assets, and 3) unrestricted net assets.

Statement of Cash Flows – The direct method is required by GASB Statement No. 34.

Basis of Accounting

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred. Revenues that have been received but not earned before the fiscal year end are recorded as deferred revenues.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are intergovernmental revenues. Operating expenses include administration, maintenance, insurance, depreciation, utilities, and housing assistance payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. This includes interest income and interest expense amounts, not discussed above.

Cash and Cash Equivalents

The Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At March 31, 2006, cash and cash equivalents consists of cash and investments - PTIF and do not include restricted deposits such as FSS escrow accounts.

Roosevelt City Housing Authority
Notes to Financial Statements (continued)
Year Ended March 31, 2006

1. Summary of Significant Accounting Policies (Continued)

Fixed Assets

Property and equipment are recorded at cost and depreciated using the straight-line method of depreciation over the estimated useful lives of the assets, as shown below. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Maintenance and repairs, including the replacement of minor items, are expensed as incurred, and major additions to buildings, furnishings, and equipment are capitalized. Construction in progress commences depreciation when the construction is complete and related assets placed in service.

<u>Major Groupings</u>	<u>Useful Lives (years)</u>
Furniture and equipment	5

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Pronouncements

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, a replacement of APB Opinion No. 20 and FASB Statement No. 3. This statement changes the requirements for the accounting for and reporting of a change in accounting principle. Previously, Opinion 20 required that most voluntary changes in accounting principle be recognized by including in net income of the period of change the cumulative effect of changing to a new principle. This statement requires retrospective application to prior periods' financial statements of changes in accounting principle, when practicable. The adoption of SFAS No. 154 did not have a material impact on the Authority's financial condition or results of operations.

2. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

The Authority follows the requirements of the Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Authority funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Roosevelt City Housing Authority
Notes to Financial Statements (continued)
Year Ended March 31, 2006

2. Deposits and Investments (continued)

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of March 31, 2006, \$16,045 of the Authority's bank balances of \$16,045 were insured and collateralized.

Investments

The Act defines the types of securities authorized as appropriate investments for the Authority and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of the investments securities.

Statutes authorize the Authority to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

Through May 2005, statutes also authorized the Authority to invest funds acquired by gift, private grant, and the corpus of funds functioning as endowments according to the rules of the Money Management Council. Rule 2 allows the Authority to invest these funds in any of the above investments or any of the following, subject to satisfying certain criteria: professionally managed pooled or commingled investment funds, or mutual funds which satisfy certain criteria; common stock, convertible preferred stock, or convertible bonds; corporate bonds or debentures; and alternative investments as defined in the rule. As of May 2, 2005, state law allows endowment funds of higher education institutions to be invested in accordance with Board of Regents default investment guidelines or in accordance with policies adopted by the Institution's Board of Trustees and approved by the Board of Regents. For the period ending June 30, 2005 the Board of Regents has required all institutions to continue investing endowment funds in accordance with Rule 2 of the money management act.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

Roosevelt City Housing Authority
Notes to Financial Statements (continued)
Year Ended March 31, 2006

2. Deposits and Investments (continued)

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

For the year ended March 31, 2006, the Authority had investments of \$79,068 with the Utah Public Treasurers Investment Fund. The entire balance had a maturity less than one year.

3. Economic Dependency

A substantial amount of the revenues received by the Authority during the year ended March 31, 2006, came from U.S. Department of Housing and Urban Development. Programs operated by the Authority depend upon continued funding by the U.S. Government.

4. Summary of Changes in Fixed Assets

A summary of changes in fixed assets for the year ended March 31, 2006 is as follows:

	Balance 03/31/2005	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	Balance 03/31/2006
Land	\$ 16,293	\$ -	\$ -	\$ 4,500	\$ 20,793
Furniture & Equipment	299	-	-	-	299
Construction in Progress	4,500	62,600	-	(4,500)	62,600
Total Fixed Assets	<u>\$ 21,092</u>	<u>\$ 62,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,692</u>

5. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Various insurance policies have been purchased to cover the risks described above. The insurance policies require minimal deductible amounts which the Authority pays in the event of any loss. The Authority also has purchased a workers' compensation policy. Settled claims resulting from losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Authority's customers are primarily low-income rental tenants in the Roosevelt area that may be affected by changing economic conditions. Management believes that its credit review procedures and tenant deposits have adequately provided for usual and customary credit-related losses. The Authority's policy for charging off tenant receivables is to consider write-down of receivables extending beyond 120 days after significant collection efforts have been made or when the financial condition of tenants warrant charge-off. Tenant receivables are determined to be past due after 30 days regardless of whether partial payments have been received.

6. Interprogram Receivables and Payables

The Authority has interprogram receivables and payables totaling \$9,977 that have been eliminated on the financial statements.

Roosevelt City Housing Authority
Notes to Financial Statements (continued)
Year Ended March 31, 2006

7. Note Payable

Mortgage Payable

The mortgage payable is due to the Utah State Division of Finance in the amount of \$57,014. The note bears no interest with monthly payments of \$162 which start January, 2007. The note is collateralized by the land and building. The note is due January, 2037.

Future maturities of long term debt are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>
2007	\$ 487
2008	1,947
2009	1,947
2010	1,947
2011	1,947
2012-2016	9,733
2017-2021	9,733
2022-2026	9,733
2027-2031	9,733
2032-2036	9,733
2037	74
Total future maturities	<u>\$ 57,014</u>

As is customary in the low-income housing industry, interest rates on loans used to finance the purchase of low-income housing are, in some cases, substantially below usual prevailing market rates in other industries and many loans bear interest rate subsidies and longer terms than what is customary. As a result, debt discounts based on the future value of the cumulative differences between actual interest rates and prevailing market rates for this industry have not been recorded on the Authority's financial statements as the difference between actual interest rates and interest rates that are customary in the industry are not considered material. Management is of the opinion that recording substantial debt discounts based on differences from prevailing rates in other industries would make the financial statements misleading.

Supplementary Schedules

Roosevelt City Housing Authority
Financial Data Schedule I – Statement of Net Assets
March 31, 2006

PHA: UT028 FYED: 03/31/2006

Line Item No.	Account Description	Business Activities	Housing Choice Vouchers	Total
111	Cash - Unrestricted	\$0	\$12,687	\$12,687
113	Cash - Other Restricted	\$0	\$2,199	\$2,199
100	Total Cash	\$0	\$14,886	\$14,886
122	Accounts Receivable - HUD Other Projects	\$0	\$7,867	\$7,867
126	Accounts Receivable - Tenants - Dwelling Rents	\$580	\$0	\$580
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$580	\$7,867	\$8,447
131	Investments - Unrestricted	\$0	\$79,068	\$79,068
144	Interprogram Due From	\$9,977	\$0	\$9,977
150	Total Current Assets	\$10,557	\$101,821	\$112,378
161	Land	\$20,793	\$0	\$20,793
163	Furniture, Equipment & Machinery - Dwellings	\$299	\$0	\$299
166	Accumulated Depreciation	\$-299	\$0	\$-299
167	Construction in Progress	\$62,600	\$0	\$62,600
160	Total Fixed Assets, Net of Accumulated Depreciation	\$83,393	\$0	\$83,393
180	Total Non-Current Assets	\$83,393	\$0	\$83,393
190	Total Assets	\$93,950	\$101,821	\$195,771

Roosevelt City Housing Authority
Financial Data Schedule I – Statement of Net Assets (continued)
March 31, 2006

PHA: UT028 FYED: 03/31/2006		Account Description	Business Activities	Housing Choice Vouchers	Total
Line Item No.					
312		Accounts Payable <= 90 Days	\$0	\$1,069	\$1,069
331		Accounts Payable - HUD PHA Programs	\$0	\$7,127	\$7,127
343		Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$487	\$0	\$487
347		Interprogram Due To	\$0	\$9,977	\$9,977
310		Total Current Liabilities	\$487	\$18,173	\$18,660
351		Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$56,527	\$0	\$56,527
353		Noncurrent Liabilities - Other	\$0	\$2,199	\$2,199
350		Total Noncurrent Liabilities	\$56,527	\$2,199	\$58,726
300		Total Liabilities	\$57,014	\$20,372	\$77,386
508		Total Contributed Capital	\$0	\$0	\$0
508.1		Invested in Capital Assets, Net of Related Debt	\$26,379	\$0	\$26,379
511		Total Reserved Fund Balance	\$0	\$0	\$0
511.1		Restricted Net Assets	\$0	\$0	\$0
512.1		Unrestricted Net Assets	\$10,557	\$81,449	\$92,006
513		Total Equity/Net Assets	\$36,936	\$81,449	\$118,385
600		Total Liabilities and Equity/Net Assets	\$93,950	\$101,821	\$195,771

Roosevelt City Housing Authority
Financial Data Schedule II – Statement of Activities
and Changes in Net Assets
Year Ended March 31, 2006

PHA: UT028 FYED: 03/31/2006

Line Item No.	Account Description	Business Activities	Housing Choice Vouchers	Total
705	Total Tenant Revenue	\$0	\$0	\$0
706	HUD PHA Operating Grants	\$0	\$294,938	\$294,938
711	Investment Income - Unrestricted	\$0	\$2,770	\$2,770
715	Other Revenue	\$12,000	\$22	\$12,022
700	Total Revenue	\$12,000	\$297,730	\$309,730

Roosevelt City Housing Authority
Financial Data Schedule II – Statement of Activities
and Changes in Net Assets (continued)

Year Ended March 31, 2006

PHA: UT028 FYED: 03/31/2006		Account Description	Business Activities	Housing Choice Vouchers	Total
Line Item No.					
912		Auditing Fees	\$0	\$5,650	\$5,650
916		Other Operating - Administrative	\$-1	\$9,048	\$9,048
941		Ordinary Maintenance and Operations - Labor	\$1,735	\$32,968	\$34,703
945		Employee Benefit Contributions - Ordinary Maintenance	\$182	\$3,462	\$3,644
961		Insurance Premiums	\$0	\$8,336	\$8,336
962		Other General Expenses	\$107	\$2,029	\$2,136
969		Total Operating Expenses	\$2,023	\$61,494	\$63,517
970		Excess Operating Revenue over Operating Expenses	\$9,977	\$286,236	\$296,213
973		Housing Assistance Payments	\$0	\$238,140	\$238,140
900		Total Expenses	\$2,023	\$298,634	\$300,657
1010		Total Other Financing Sources (Uses)	\$0	\$0	\$0
1000		Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$9,977	\$-1,904	\$8,073

Roosevelt City Housing Authority
Financial Data Schedule II – Statement of Activities
and Changes in Net Assets (continued)
Year Ended March 31, 2006

PHA: UT028 FYED: 03/31/2006

Line Item No.	Account Description	Business Activities	Housing Choice Vouchers	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0
1103	Beginning Equity	\$0	\$110,312	\$110,312
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$26,959	\$-26,959	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$302,065	\$302,065
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$194,950	\$194,950
1116	Total Annual Contributions Available	\$0	\$497,015	\$497,015
1120	Unit Months Available	0	1,092	1,092
1121	Number of Unit Months Leased	0	943	943

Roosevelt City Housing Authority
Notes to Financial Data Schedule
Year Ended March 31, 2006

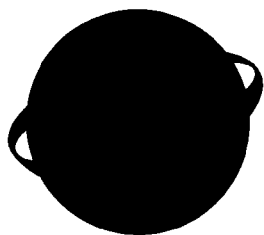
1. Basis of Presentation

The Financial Data Schedules have been prepared using the basis of accounting required by HUD's Real Estate Assessment Center.

2. Reconciliation to Basic Financial Statements

The following reconciles combined balances of total assets, total liabilities, total equity (net assets) and net income (changes in net assets) per the Financial Data Schedules to the basic financial statements:

	<u>Total assets</u>	<u>Total liabilities</u>	<u>Total equity</u>	<u>Net income</u>
Balances per Financial Data Schedules	\$ 195,771	\$ 77,386	\$ 118,385	\$ 8,073
Elimination of interprogram balances	<u>(9,977)</u>	<u>(9,977)</u>	<u>-</u>	<u>-</u>
Balances per basic financial statements	<u>\$ 185,794</u>	<u>\$ 67,409</u>	<u>\$ 118,385</u>	<u>\$ 8,073</u>



Child, Van Wagoner & Bradshaw, PLLC

Douglas W. Child, CPA
Marty D. Van Wagoner, CPA
J. Russ Bradshaw, CPA
William R. Denney, CPA
Roger B. Kennard, CPA
Scott L. Farnes

Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Roosevelt City Housing Authority
Roosevelt, Utah

We have audited the financial statements of the business activity and major fund of the Roosevelt City Housing Authority (the Authority) as of and for the year ended March 31, 2006, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 22, 2006. That report noted that the Authority implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* for the year ended March 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-1 and 06-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Board of Commissioners
Roosevelt City Housing Authority

We noted certain matters that we reported to management of the Authority in a separate letter dated September 22, 2006.

This report is intended solely for the information of the audit committee, Board of Commissioners, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Child, Van Wagoner & Bradshaw

Child, Van Wagoner & Bradshaw, PLLC
Kaysville, Utah
September 22, 2006

**Roosevelt City Housing Authority
Schedule of Findings and Questioned Costs
Year Ended March 31, 2006**

Finding 06-1

Condition: Inherent with the size of the Authority, there is a lack of segregation of duties.

Criteria: The Authority should exercise segregation of duties as part of its system of internal controls.

Cause: The Authority has one person that performs all accounting functions.

Effect: One person could be in the position to both perpetrate and conceal errors or fraud in the normal course of the Authority's activities.

Recommendation: We recommend that the Authority continue to maintain the quality of records observed during our audit and implement overriding controls that may mitigate the impact of the lack of segregation.

Auditee's Response: See page 30.

Finding 06-2

Condition: The Authority was required to divide the business activities program from the housing choice voucher program according to the regulations set by HUD per definitions of the programs' allowable activities.

Criteria: Entities receiving HUD monies should follow the regulations set by HUD per definitions of the program allowable activities.

Effect: The Authority was required to make adjustments that were needed to accurately report cash, accounts payable, and operating expenses for the two programs.

Cause: The Authority did not divide the business activities program from the housing choice vouchers program.

Recommendation: The Authority's personnel should understand regulations placed by HUD over the programs on what are allowable activities for those programs and record them as such.

Auditee's Response: See page 31.

Roosevelt City Housing Authority
Schedule of Findings and Questioned Costs - Prior Year
Year Ended March 31, 2006

Finding 05-1

Condition: Inherent with the size of the Authority, there is a lack of segregation of duties.

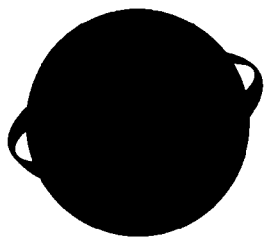
Criteria: The Authority should exercise segregation of duties as part of its system of internal controls.

Cause: The Authority has one person that performs all accounting functions.

Effect: One person could be in the position to both perpetrate and conceal errors or fraud in the normal course of the Authority's activities.

Recommendation: We recommend that the Authority continue to maintain the quality of records observed during our audit and implement overriding controls that may mitigate the impact of the lack of segregation.

Status: Finding remains in effect in the current year. See finding 06-1 on page 26.



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Roosevelt City Housing Authority Independent Auditors' Report on State of Utah Legal Compliance Year Ended March 31, 2006

Board of Commissioners
Roosevelt City Housing Authority
Roosevelt, Utah

We have audited the financial statements of the Roosevelt City Housing Authority (the Authority), for the year ended March 31, 2006, and have issued our report thereon dated September 22, 2006. Our audit included test work on the Authority's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Cash Management
Other Compliance Requirements

The Authority did not receive any major or nonmajor State grants during the year ended March 31, 2006.

The management of the Authority is responsible for the Authority's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects with the general compliance requirements identified above for the year ended March 31, 2006.

Child, Van Wagoner & Bradshaw

Child, Van Wagoner & Bradshaw, PLLC
Kaysville, UT
September 22, 2006

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ROOSEVELT CITY HOUSING AUTHORITY

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September 27, 2006

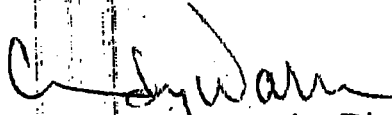
Scott Farnes
Child, Van Wagoner and Bradshaw
1284 East Flint Meadow Drive Suite D3
Kaysville, Utah 84037

Dear Mr. Farnes:

In response to your audit finding regarding a single staff member performing all account functions. The Housing Authority employees an outside accounting firm to oversee the financial records of the Housing Authority. The Board of Commission reviews and approves all payments made by the Housing Authority during Commission meetings. Based on the size and limited budget the Housing Authority operates with, it is not cost effective or feasible for the Housing Authority to employ additional staff.

Therefore, the Housing Authority agrees with your finding and your recommendation. If you have any questions, please feel free to contact me.

Sincerely,



Cindy Warren, Executive Director

The Roosevelt City Housing Authority is an Equal Opportunity Housing Provider

ROOSEVELT CITY HOUSING AUTHORITY

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Scott Farnes
Child Van Wagoner & Bradshaw
1284 West Flint Meadow Dr. Ste D
Kaysville UT 84037

Dear Mr. Farnes:

In response to audit finding number 2, regarding separating expenses between programs. The Housing Authority has already consulted with our accountants and implemented new accounting procedures separating expenses between the various programs. These procedures were in place before the audit report was issued.

Therefore, the Housing Authority agrees with your finding and has already implemented your recommendation. If you have any questions, please feel free to contact me.

Sincerely,



Cindy Warren, Executive Director

The Roosevelt City Housing Authority is an Equal Opportunity Housing Provider